Food and Agriculture Organization of the United Nations

Support to MSMEs

FAO-EU FLEGT PROGRAMME

Success story

Colombia: Building the capacities of MSMEs to supply legal timber to the domestic market

Key facts

Micro, small and medium enterprises (MSMEs) play a crucial role in Colombia's domestic timber market but lack awareness of legal requirements and the skills to comply with them. The Food and Agriculture Organization of the United Nations (FAO)-European Union (EU) Forest Law Enforcement, Governance and Trade (FLEGT) Programme partnered with the *Federación de Industriales de la Madera* (FEDEMADERAS) to build the capacities of 61 MSMEs on legal, environmental and fiscal requirements and to link small timber operators to legal timber suppliers.

Colombia is a key actor in the fight against deforestation in Latin America, being the first country in the region to introduce an Intersectoral Pact for Legal Timber. This initiative aims to ensure the legality of timber that is extracted, traded and processed. Despite these efforts, MSMEs still struggle to comply with national legal requirements due to limited awareness and skills. The FAO-EU FLEGT Programme and FEDEMADERAS joined efforts to address this issue through dedicated trainings and by creating legal and sustainable market linkages.

Tailor-made action plans to help MSMEs to comply with legality

The *Federación de Industriales de la Madera* represents over 800 timber enterprises along the supply chain, out of which 300 are MSMEs. Capitalizing on 18 years of experience in advocating for and linking small, medium and large timber companies, forestry-sector service suppliers and forest communities, FEDEMADERAS assisted 61 MSMEs in determining barriers to legality and drafting targeted action plans to address the weaknesses identified. The action plans include strategies to improve timber traceability, timber market data and information on how to register with the *Libro de Operaciones Forestales* (LOF). The LOF allows forest enterprises to keep an official record of their inventory and transactions, including volume and species of timber traded as well as non-wood forest products. In addition, the plans outline recommendations and strategies for the incorporation of gender equality principles into company policies and codes of conduct. These include impartial recruitment and hiring processes, equal pay, fair career development opportunities and policies against workplace harassment. FEDEMADERAS conducted follow-up missions and visits to assist companies in this process, and found that over 90 percent of MSMEs implemented the action plans.

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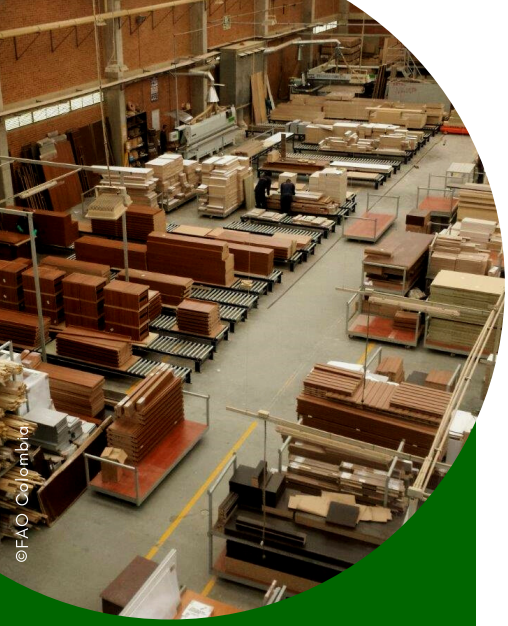
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Worked to

build capacities of MSMEs to comply with legality, thus facilitating market access.

Worked for

small timber operators.

Worked with

the Colombian National Federation of Wood Industries (FEDEMADERAS) and the National Forests Institute (INAB).

Worked thanks to

the Foreign, Commonwealth, and Development Office of the United Kingdom (FCDO), the European Union (EU) and the Swedish International Development Cooperation Agency (SIDA).

Related links

FAO-EU FLEGT Programme
FEDEMADERAS
INAB
Elija Madera Legal

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Dedicated trainings for improved legal compliance

The federation trained the MSMEs on existing environmental regulations and legality principles. As a result, 60 enterprises reviewed and edited their company policies against established national legality standards. Authorities from the Directory of Taxes and National Customs delivered capacity building sessions on tax requirements for 66 MSME staff members from 25 enterprises. To provide further guidance to MSMEs, a reference manual on how to file taxes was created following the training.

Through dedicated exchange visits, a representative from the Guatemalan *Instituto Nacional de Bosques* (INAB) trained 94 representatives from local organizations such as the Regional Autonomous Corporation of Risaralda and the Agricultural Bank of Colombia on the development of public procurement policies for legal timber trade in the country based on the Guatemalan experience. In parallel, the INAB official shared technical experiences accumulated through the management of natural resources in Guatemala's Maya Biosphere Reserve with five MSMEs.

Widening access to legal timber markets

To expand the access of small timber operators to legal markets, FEDEMADERAS linked the trained MSMEs to legal timber suppliers. In total, 13 MSMEs met with 20 suppliers to discuss market needs and potential business agreements. As a result of the exchanges, legal timber suppliers are now more aware of the species and volume of timber in demand on the domestic market and are better placed to supply MSMEs. At the time of writing, negotiations were ongoing between the MSMEs and suppliers to conclude transactions. A timber operator associated with FEDEMADERAS, Bernilio Córdoba, stated:

> "The exchange between suppliers and transformers opened doors for us to learn how to negotiate. We gained precious knowledge because it was the first time we participated in an event like this. It was a true milestone to be present and explore future business possibilities.

To support the operations of the MSMEs, FEDEMADERAS facilitated meetings with financial institutions catering specifically to the forest sector, such as the Banco Agrario and the Fiduciary Society for Agricultural Development, and the operators. As a result, 43 timber processors learned about credit options.

Next steps for the Colombian legal timber market

The *Federación de Industriales de la Madera* is developing a digital marketplace for the domestic trade of legal timber as part of the *Elija Madera Legal* information portal. The online marketplace will require that companies interested in trading present a legality certificate, providing further economic incentives for MSMEs to formalize their businesses. Participating MSMEs will also be linked to public buyers of timber products. The COVID-19 pandemic accentuated the need for an online legal timber trading website to replace in-person transactions. The *Elija Madera Legal* e-commerce seeks to address this need as a self-managed, user-friendly platform, building the opportunity for a resilient market into the future.

Feedback received from trained MSMEs demonstrates a deeper understanding of what is needed for legality compliance and the benefits of formalization. Requests for further trainings are proof of the continued need for initiatives that empower MSMEs to operate legally and position themselves in formal markets which offer more stable income business opportunities.

Since 2016, the FAO-EU FLEGT Programme has supported projects in 27 priority tropical timber producing countries throughout Africa, Latin America and Asia.

Contact
FLEGT-Info@fao.org

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